



AmInvestment Bank

Company report

BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

14 Jun 2022

*Firing on all cylinders***BUY**

(Maintained)

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Rationale for report: Company result

Price	RM1.78
Fair Value	RM2.25
52-week High/Low	RM1.88/RM1.42

Key Changes

Fair value	↔
EPS	↔

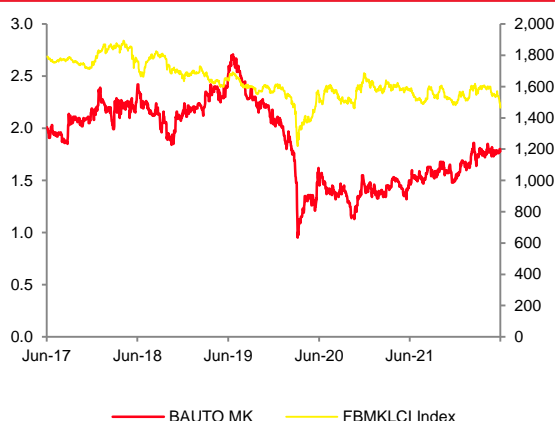
YE to Apr	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	2,325.1	3,015.0	3,494.1	3,576.4
Core net profit (RM mil)	155.7	201.3	249.3	258.0
FD Core EPS (sen)	13.4	17.3	21.4	22.2
FD Core EPS growth (%)	16.3	29.3	23.8	3.5
Consensus Net Profit (RM mil)	-	171.8	202.0	-
DPS (sen)	8.8	10.0	13.0	13.0
PE (x)	13.3	10.3	8.3	8.0
EV/EBITDA (x)	7.0	6.4	5.3	5.0
Div yield (%)	4.9	5.6	7.3	7.3
ROE (%)	26.0	29.8	32.5	29.6
Net Gearing (%)	net cash	net cash	net cash	net cash

Stock and Financial Data

Shares Outstanding (million)	1,166.5
Market Cap (RMmil)	2,076.3
Book Value (RM/share)	0.54
P/BV (x)	3.3
ROE (%)	26.0
Net Gearing (%)	(77.9)

Major Shareholders	Employees Provident Fund (18.6%) Dynamic Milestone Sdn Bhd (14.4%) Amanah Saham Nasional (7.9%)
Free Float	51.5
Avg Daily Value (RMmil)	1.7

Price performance	3mth	6mth	12mth
Absolute (%)	2.3	18.7	20.1
Relative (%)	9.5	21.1	29.1

**Investment Highlights**

- We maintain BUY on Bermaz Auto (BAuto) with an unchanged value (FV) of RM2.25/share, based on an FY23F target PE of 13x, at parity with sector average.
- Blitzing our and street's expectations, BAuto's 4QFY22 net earnings jumped 93% QoQ and 18% YoY to RM79mil as the group's revenue hit a quarterly record high of RM897mil (+44% QoQ, +40% YoY). The cumulative FY22 core earning of RM156mil (+16% YoY) was 24% above our forecast and 19% consensus. The positive variance is mainly attributed to higher-than-expected sales volume of Mazda (Malaysia), Peugeot, and Kia marques.
- The group's 4QFY22 sales volume grew 46% QoQ, bolstered by the ramp-up of Mazda deliveries, especially in March and April, and full quarterly contribution of the Peugeot and Kia brands.
- Separately, the Philippines operation remains profitable (operating income: RM1.1mil vs. RM0.7mil in 3QFY22) backed by sustained sales volume. Meanwhile, associate contribution improved by 45% to RM10mil, mainly driven by better Mazda Malaysia's performance as demand for Mazda cars in regional markets recover.
- The group declared an interim dividend of 2.0 sen/share and a special dividend of 2.5 sen/share. This brings its cumulative total dividend declared to 8.8sen/share (65% payout based on FY22 EPS), above our expectation of 6.5sen/share.
- Demand for the group's products remains robust with backlogged orders crossing the 6,000-unit mark (vs. 5,000 units in mid-May). This is after prospective buyers rushed to place bookings as the group decided to honour the sales tax-free pricing for all bookings made before June.
- The strong order book will provide BAuto with sales visibility while the impact of the additional cost could be offset by lower advertising and promotional spending. Additionally, the group's booking order rate in June remains healthy as demand outstrips supply.
- Despite the strong demand, the shortage of inventories likely will limit the number of vehicles that BAuto could deliver. We gathered the lockdown in China is currently affecting the supply of Mazda's inventory and a more normalised level of monthly deliveries (1,000 – 1,200 units) is expected for upcoming months. Hence, we made no changes to our FY23F-FY25F earnings.
- Valuation-wise, the company is trading at an attractive FY23F PE of 10x vs. its 5-year historical average of 13x (Exhibit 7). The stock also offers a compelling FY23F dividend yield of 5.6%.

EXHIBIT 1: RESULTS SUMMARY

FYE April (RM mil)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
Revenue	641.2	623.1	897.4	44.0	40.0	2,287.9	2,325.1	1.6
EBITDA	75.6	54.7	112.7	>100	49.0	175.7	225.4	28.2
Operating Profit	71.5	49.6	106.8	>100	49.4	159.6	204.5	28.1
Investment related income	1.7	1.5	1.9	25.0	14.4	5.4	6.6	22.5
Finance costs	(3.1)	(2.6)	(2.8)	6.2	(9.3)	(12.8)	(10.6)	(17.5)
Net interest expense	(1.4)	(1.1)	(0.9)	(20.1)	(37.6)	(7.4)	(3.9)	(46.8)
Share of results of associates	13.4	6.6	9.5	44.6	(29.0)	20.5	18.1	(12.0)
Profit before tax	83.5	55.1	115.4	>100	38.3	172.7	218.6	26.6
Tax	(17.6)	(12.4)	(34.6)	>100	96.5	(41.1)	(59.7)	45.2
Profit after tax	65.9	42.7	80.8	89.2	22.7	131.6	158.8	20.7
Minority interest	(1.0)	2.0	2.1	6.5	>100	(2.4)	3.1	>100
Net profit	66.8	40.7	78.7	93.3	17.8	133.9	155.7	16.3
Core Net Profit	66.8	40.7	78.7	93.3	17.8	133.9	155.7	16.3
EPS (sen)	5.7	3.5	6.8			11.5	13.4	
GDPS (sen)	3.3	2.3	4.5			6.5	8.8	
Margins								
EBITDA margin (%)	11.8	8.8	12.6	3.8 pts	0.8 pts	7.7	9.7	2.0 pts
EBIT margin (%)	11.2	8.0	11.9	3.9 pts	0.8 pts	7.0	8.8	1.8 pts
PBT margin (%)	13.0	8.8	12.9	4.0 pts	-0.2 pts	7.5	9.4	1.9 pts
Core net margin (%)	10.4	6.5	8.8	2.2 pts	-1.7 pts	5.9	6.7	0.8 pts
Segmental breakdown								
Revenue	641.2	623.1	897.4	44.0	40.0	2,287.9	2,325.1	1.6
Mazda	641.2	534.3	781.6	46.3	21.9	2,287.9	2,081.2	(9.0)
Malaysia	588.0	491.5	724.4	47.4	23.2	2,118.0	1,896.8	(10.4)
Philippines	53.2	42.8	57.3	33.9	7.6	169.9	184.4	8.5
Peugeot	0.0	56.8	74.2	30.6	>100	0.0	164.7	>100
Kia	0.0	31.6	41.3	30.8	>100	0.0	78.4	>100
Bauto Parts	0.0	0.5	0.3	(38.5)	>100	0.0	0.8	>100
Operating income	70.1	48.6	105.9	>100	51.1	152.2	200.5	31.8
Mazda	70.9	42.3	100.7	>100	42.0	153.3	192.9	25.8
Malaysia	74.1	41.6	99.6	>100	34.4	157.1	189.6	20.7
Philippines	(3.2)	0.7	1.1	55.8	>100	(3.8)	3.3	>100
Peugeot	0.0	0.9	6.6	>100	n/m	0.0	4.0	>100
Kia	0.0	4.5	(3.0)	n/m	n/m	0.0	0.4	>100
Bauto Parts	0.0	0.9	0.8	(5.3)	n/m	0.0	2.3	>100
Investment holding	(0.8)	0.0	0.8	>100	>100	(1.1)	1.0	>100
Share of results of associates	13.4	6.6	9.5	44.6	(29.0)	20.5	18.1	(12.0)
Mazda Malaysia	12.7	5.0	7.9	59.2	(37.7)	13.5	11.1	(17.8)
Inokom Corporation	0.4	2.2	2.0	(8.6)	>100	6.7	8.0	19.1
Bermaz Auto Alliance	0.2	0.0	0.0	n/m	n/m	0.2	0.1	(75.6)
KIA Malaysia Sdn Bhd	0.0	(0.7)	(0.5)	(16.1)	n/m	0.0	(1.2)	(<100)
Other	0.0	(0.0)	0.0	n/m	n/m	0.0	0.0	n/m
Sales Volume	4,094	3,945	5,740	45.5	40.2	14,684	14,666	(0.1)
Mazda	4,094	3,505	4,989	42.3	21.9	14,684	13,342	(9.1)
Malaysia	3,660	3,169	4,551	43.6	24.3	13,439	12,038	(10.4)
Philippines	434	336	438	30.4	0.9	1,245	1,304	4.7
Peugeot	0	283	548	93.6	>100	0	964	>100
Kia	0	157	203	29.3	>100	0	360	>100
Mazda - Malaysia								
CBU	1,242	628	650	3.5	(47.7)	3,904	2,621	(32.9)
CKD	2,418	2,541	3,901	53.5	61.3	9,535	9,417	(1.2)

Source: BAUTO, AmlInvestment Bank

EXHIBIT 2: SALES INVOICED – MAZDA (MALAYSIA)

FY Apr (units)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
CBU	1,242	627	650	3.7	(47.7)	3,904	2,620	(32.9)
Mazda 2	60	79	38	(51.9)	(36.7)	290	182	(37.2)
Mazda 3	414	76	152	100.0	(63.3)	1,223	815	(33.4)
Mazda 5	1	0	0	n/m	(<100)	2	0	(<100)
Mazda 6	16	29	26	(10.3)	62.5	71	96	35.2
Mazda 8	0	0	0	n/m	n/m	0	0	n/m
Biante	0	0	0	n/m	n/m	2	0	(<100)
CX-3	0	212	117	(44.8)	n/m	235	657	>100
CX-30	728	166	214	28.9	(70.6)	1,924	666	(65.4)
CX-7	0	0	0	n/m	n/m	0	0	n/m
CX-9	11	17	9	(47.1)	(18.2)	112	42	(62.5)
MX-5	12	5	4	(20.0)	(66.7)	24	24	0.0
RX-8	0	0	0	n/m	n/m	0	0	n/m
BT-50	0	43	90	>100	>100	21	138	>100
CKD	2,418	2,541	3,901	53.5	61.3	9,535	9,417	(1.2)
Mazda 3	0	0	0	n/m	n/m	0	2	>100
CX-5	1,987	2,074	3,455	66.6	73.9	7,814	7,929	1.5
CX-8	431	467	446	(4.5)	3.5	1,721	1,486	(13.7)
Total	3,660	3,168	4,551	43.7	24.3	13,439	12,037	(10.4)

Source: BAUTO, AmlInvestment Bank

EXHIBIT 3: SALES INVOICED – MAZDA (PHILIPPINES)

FY Apr (units)	4QFY21	3QFY22	4QFY22	QoQ	YoY	FY21	FY22	YoY
Mazda 2	29	27	15	(44.4)	(48.3)	67	42	(37.3)
Mazda 3	75	18	42	>100	(44.0)	294	110	(62.6)
Mazda 5	0	0	0	n/m	n/m	0	0	n/m
Mazda 6	11	1	2	100.0	(81.8)	26	8	(69.2)
Mazda 8	0	0	0	n/m	n/m	0	0	n/m
Biante	0	0	0	n/m	n/m	0	0	n/m
CX-3	9	0	0	n/m	n/m	20	8	(60.0)
CX-30	42	25	17	(32.0)	(59.5)	117	91	(22.2)
CX-5	77	55	124	>100	61.0	208	306	47.1
CX-7	0	0	0	n/m	n/m	0	0	n/m
CX-8	73	67	102	52.2	39.7	132	274	n/m
CX-9	42	0	15	>100	(64.3)	124	121	(2.4)
MX-5	10	11	27	>100	>100	76	81	6.6
RX-8	0	0	0	n/m	n/m	0	0	n/m
BT-50	66	132	94	(28.8)	42.4	181	263	45.3
Total	434	336	438	30.4	0.9	1,245	1,304	4.7

Source: BAUTO, AmlInvestment Bank

EXHIBIT 4: SALES INVOICED – PEUGEOT (MALAYSIA)

FY Apr (units)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
CKD								
2008	0	57	180	>100	>100	0	237	>100
3008	0	167	289	73.1	>100	0	556	>100
5008	0	59	79	33.9	>100	0	171	>100
Total	0	283	548	93.6	>100	0	964	>100

Source: BAUTO, AmlInvestment Bank

EXHIBIT 5: SALES INVOICED – KIA (MALAYSIA)

FY Apr (units)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
CBU								
Carnival	0	157	203	29.3	>100	0	360	>100

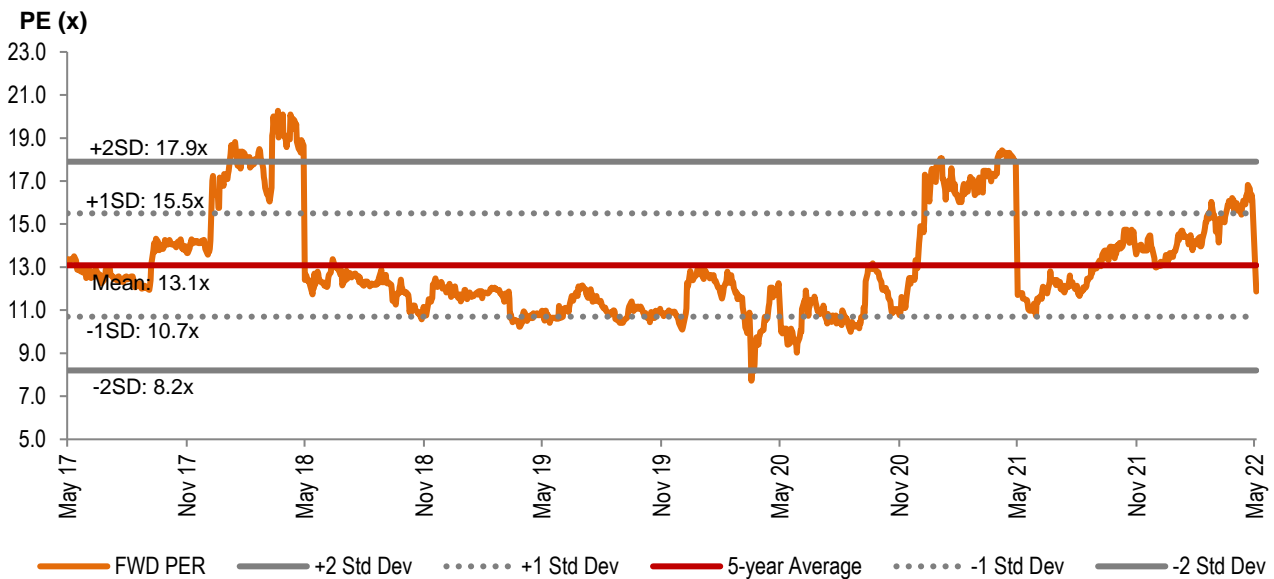
Source: BAUTO, AmlInvestment Bank

EXHIBIT 6: SALES ASSUMPTIONS

Units	FY21	FY22	FY23F	FY24F	FY25F
Mazda	14,684	13,341	15,145	17,160	17,520
Malaysia	13,439	12,037	13,020	14,320	14,520
Philippines	1,245	1,304	2,125	2,840	3,000
Peugeot (current)	242	964	2,500	2,800	2,900
Kia	N/A	360	1,400	2,100	2,200

Source: AmlInvestment Bank

EXHIBIT 7: 5-YEAR PE BAND CHART



Source: Bloomberg, AmlInvestment Bank

EXHIBIT 8: ESG RATING

Overall	★	★	★		
Zero-carbon initiatives	★				
Work site safety	★	★	★		
Shareholder accountability	★	★	★		
Social responsibility	★	★	★		
Pollution control	★	★			
Supply chain auditing	★	★	★	★	
Corruption-free pledge	★	★	★	★	
Accessibility & transparency	★	★	★	★	★

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmlInvestment Bank

EXHIBIT 9: FINANCIAL DATA

Income Statement (RMmil, YE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	2,287.9	2,325.1	3,015.0	3,494.1	3,576.4
EBITDA	175.7	225.4	264.4	317.3	323.0
Depreciation/Amortisation	(16.2)	(20.9)	(17.9)	(15.1)	(13.4)
Operating income (EBIT)	159.6	204.5	246.5	302.2	309.6
Other income & associates	20.5	18.1	33.8	43.5	45.9
Net interest	(7.4)	(3.9)	(3.7)	(3.3)	(1.3)
Exceptional items	-	-	-	-	-
Pretax profit	172.7	218.6	276.7	342.4	354.1
Taxation	(41.1)	(59.7)	(63.1)	(77.7)	(80.1)
Minorities/pref dividends	(2.4)	3.1	12.3	15.4	16.0
Net profit	133.9	155.7	201.3	249.3	258.0
Core net profit	133.9	155.7	201.3	249.3	258.0
Balance Sheet (RMmil, YE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	37.2	41.6	33.7	28.6	25.2
Intangible assets	0.5	1.3	1.3	1.3	1.3
Other long-term assets	371.9	437.6	471.4	515.0	560.8
Total non-current assets	409.6	480.5	506.5	544.9	587.3
Cash & equivalent	563.4	693.9	550.9	556.0	607.6
Stock	277.8	230.4	366.1	424.3	434.3
Trade debtors	148.5	142.5	195.6	226.7	232.1
Other current assets	2.5	0.4	0.4	0.4	0.4
Total current assets	992.2	1,067.2	1,113.0	1,207.3	1,274.3
Trade creditors	247.6	253.0	247.8	287.2	294.0
Short-term borrowings	105.7	100.0	90.0	80.0	70.0
Other current liabilities	97.9	108.6	108.6	108.6	108.6
Total current liabilities	451.1	461.6	446.4	475.7	472.5
Long-term borrowings	99.8	99.8	89.8	79.8	69.8
Other long-term liabilities	238.8	297.2	297.2	297.2	297.2
Total long-term liabilities	338.5	397.1	387.1	377.1	367.1
Shareholders' funds	565.4	634.3	719.0	816.9	923.6
Minority interests	46.7	54.8	67.1	82.4	98.5
BV/share (RM)	0.49	0.54	0.62	0.70	0.79
Cash Flow (RMmil, YE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	172.7	218.6	276.7	342.4	354.1
Depreciation/Amortisation	16.2	20.9	17.9	15.1	13.4
Net change in working capital	455.0	-	(194.0)	(49.9)	(8.6)
Others	(188.9)	51.6	(93.3)	(117.9)	(124.7)
Cash flow from operations	455.0	291.1	7.3	189.8	234.3
Capital expenditure	(3.6)	(10.6)	(10.0)	(10.0)	(10.0)
Net investments & sale of fixed assets	(2.5)	(23.6)	(33.8)	(43.5)	(45.9)
Others	5.4	7.0	33.8	43.5	45.9
Cash flow from investing	(0.8)	(27.1)	(10.0)	(10.0)	(10.0)
Debt raised/(repaid)	67.7	(31.5)	(20.0)	(20.0)	(20.0)
Equity raised/(repaid)	1.2	-	-	-	-
Dividends paid	(75.7)	(101.9)	(116.6)	(151.3)	(151.3)
Others	17.7	1.4	(3.7)	(3.3)	(1.3)
Cash flow from financing	10.9	(131.9)	(140.3)	(174.7)	(172.7)
Net cash flow	465.2	132.0	(143.0)	5.1	51.6
Net cash/(debt) b/f	100.2	563.4	693.9	550.9	556.0
Net cash/(debt) c/f	563.4	693.9	550.9	556.0	607.6
Key Ratios (YE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	30.1	1.6	29.7	15.9	2.4
EBITDA growth (%)	37.9	28.2	17.3	20.0	1.8
Pretax margin (%)	7.5	9.4	9.2	9.8	9.9
Net profit margin (%)	5.9	6.7	6.7	7.1	7.2
Interest cover (x)	21.6	52.0	67.4	90.8	229.8
Effective tax rate (%)	23.8	27.3	22.8	22.7	22.6
Dividend payout (%)	56.5	65.4	57.9	60.7	58.7
Debtors turnover (days)	20	23	20	22	23
Stock turnover (days)	77	40	36	41	44
Creditors turnover (days)	48	39	30	28	30

Source: Company, AmlInvestment Bank Bhd estimates

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